

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
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GREENEVILLE FEDERAL BANK, FSB)
Greenville, Tennessee)
OTS Docket No. 06518)

Order No.: MWR-06-12

Date: September 11, 2006

CONSENT ORDER TO
CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Greenville Federal Bank, FSB, Greenville, Tennessee (Greenville Federal or Bank) (OTS Docket No. 06518), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation);

WHEREAS, the Bank, by execution of this Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) by the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1818(b);¹ and

WHEREAS, the Deputy Director of the OTS has delegated to the Regional Directors of OTS the authority to issue Orders to Cease and Desist on behalf of OTS where a savings association has consented to the issuance of the Order.

NOW THEREFORE, IT IS ORDERED THAT:

1. Compliance with Laws and Regulations

The Bank and the Bank's directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, aiding or abetting of any unsafe or unsound practice or any violation of:

- A. 12 C.F.R. § 563.177(b)(1) (failure to maintain a Bank Secrecy Act Program reasonably designed to ensure compliance with the Bank Secrecy Act (BSA) and implementing regulations²);

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

² Currency and Foreign Transactions Reporting Act, as amended by USA Patriot Act and other laws (Bank Secrecy Act of BSA), 31 U.S.C. § 5311 *et seq.*, and the regulations adopted thereunder by the U.S. Department of the Treasury, 31 C.F.R. § 103.11 *et seq.*, and the related BSA regulations adopted by OTS, 12 C.F.R. § 563.177 (collectively with the aforementioned laws and regulations, the BSA Laws and Regulations).

- B. 12 C.F.R. § 563.177(c)(1) (a system of internal controls to ensure compliance with BSA);
- C. 12 C.F.R. § 563.177(c)(2) (independent testing for BSA compliance);
- D. 12 C.F.R. § 563.177(c)(3) (designation of a BSA officer who can coordinate and monitor day-to-day compliance with BSA);
- E. 12 C.F.R. § 568.5 (protection of customer information) and 12 C.F.R. Part 570, Appendix B (interagency guidelines establishing information security standards);
- F. 31 C.F.R. § 103.22(d)(2) (biennial filing for exempt customers);
- G. 31 C.F.R. § 103.27(a) (timely preparation of Currency Transaction Reports);
- H. 31 C.F.R. § 103.100(b)(2) (information requests from Financial Crimes Enforcement Network (FinCEN)); and
- I. 31 C.F.R. § 103.121(b)(2) (customer due diligence).

IT IS FURTHER ORDERED THAT:

CORRECTIVE PROVISIONS

2. Technology Risk Committee

- A. By **September 29, 2006**, the Board shall establish a Technology Risk Committee (TRC), which is composed primarily of outside directors, to oversee and monitor compliance with the Bank's Information Security Program; 12 C.F.R. § 568.5 and Appendix B to 12 C.F.R. Part 570; relevant guidance in OTS CEO Letter No. 214, entitled "Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice"; Federal Financial Institutions Examination Council (FFIEC) Interagency Guidelines Establishing Information Security Standards Small Entity Compliance Guide (December 2005) transmitted by OTS CEO Letter No. 231, dated December 14, 2005 (Information Security Standard Guidelines or OTS CEO Letter No. 231); and Section 341 of the OTS Examination Handbook. The Board shall submit a copy of the Board minutes reflecting its deliberations and the TRC Charter to OTS by **October 31, 2006**.
- B. The TRC's functions shall, at a minimum, include:
 - 1. Oversight and monitoring of the Bank's Information Security Program with respect to (a) security and confidentiality of customer information; (b) protection against any anticipated threats or hazards to the security or integrity of such information; (c) protection against unauthorized access to, or use of such information that could result in substantial harm or inconvenience to any

customer; and (d) proper disposal of customer information and customer information;

2. Oversight of Incident Response Program and Vendor Management Policy required by Paragraphs 7 and 8 hereof;
 3. Scheduling of external and internal information technology (IT) audits;
 4. Review of all internal and external IT audits, OTS examination findings, and oversight of the implementation of any corrective actions;
 5. Review of IT training;
 6. Review of the Information Security Risk Assessment required by Paragraph 5 hereof, prior to submission to the Board; and
 7. Review of all information security and information technology policies and procedures prior to adoption by the Board.
- C. The TRC shall meet monthly for at least the first year after the Effective Date of the Order and shall document its reviews and deliberations in its committee minutes. The Bank shall submit a copy of the minutes of TRC minutes to OTS for six months from its first meeting.

3. **Security Controls**

- A. By **October 31, 2006**, TRC shall review and report to the Board that management has (1) established adequate network security settings; (2) implemented a password policy that is in conformance with the information security controls guideline in Sections 341 of the OTS Examination Handbook; (3) established specific procedures regarding the appropriate access to all computer equipment; and (4) established computer security measures.
- B. By **October 31, 2006**, TRC shall review and report to the Board that management has implemented the use of network system audit logs that are reviewed by a person who is designated by the TRC and who is considered independent of IT functions. Management shall designate the network system components that warrant logging and determine the level of data that must be logged for each component. The independent reviewer shall submit monthly reports to TRC. The Bank shall implement procedures for maintaining confidentiality of the logs and the review of the logs.

4. **Information Technology Staff**

By **October 31, 2006, and annually thereafter**, the Board, with input of TRC, shall review whether the personnel assigned to information technology and security functions, including

but not limited to IT administrator, have sufficient training, expertise, time, and resources to implement the Bank's Information Security Program. If the Board determines that there are inadequate resources, the Board must develop a schedule for augmenting the staff with qualified persons. The Bank shall submit a copy of the minutes reflecting this evaluation to OTS by **November 30, 2006**.

5. **Information Security Risk Assessment**

- A. **By November 30, 2006**, TRC shall review and submit to the Board (with the assistance of management and a qualified vendor if appropriate) a comprehensive risk assessment covering all Bank operations, including but not limited to internet banking, as required by Appendix B to 12 C.F.R. Part 570: (a) identify reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer information systems; (b) assess the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information; (c) assess the sufficiency of policies, procedures, customer information systems, and other arrangements in place to control risks; (d) apply each of the foregoing steps in connection with the Bank's disposal of customer information; and (e) address the reasonable foreseeable risks to customer information stored in systems owned or managed by service providers and customer information disposed by the Bank's service providers.
- B. Management shall complete, and TRC shall review the risk assessment and report to the Board, on an annual basis thereafter, and earlier if there are system changes or the implementation of new products or services.

6. **Information Security Training Program**

By November 30, 2006 and thereafter annually, the TRC shall evaluate and report to the Board annually, whether the Board, TRC, and senior management have received sufficient training to oversee the Bank's Information Security Program, whether the IT administrator and other staff members with information technology functions have received sufficient training to administer the Bank's Information Security Program, and whether the internal auditor has received adequate training to perform internal audits of the program. The Board shall approve an annual training program for Bank personnel on a specific schedule that covers the (a) Bank's Information Security Program; (b) the applicable regulatory requirements set forth in Appendix B of 12 C.F.R. Part 570, and the Information Security Standard Guidelines); (c) the identification of, and appropriate responses to schemes to commit fraud or identity theft; (d) the proper disposal of customer information; and (e) computer security. The Board shall receive training regarding the regulatory requirements set forth in Appendix B of 12 C.F.R. Part 570 and the Information Security Standard Guidelines prior to the adoption of the Bank's revised Information Security Program. The Board's review of the training program and training needs of the Board, management, and the IT administrator shall be set forth in the Board minutes, a copy of which shall be submitted to OTS, along with the training program by **December 29, 2006**. The Bank shall comply with the Information Security Training Program.

7. Incident Response Program

By **October 31, 2006**, TRC shall develop and submit to the Board for adoption, with assistance of management, an Incident Response Program: (1) that addresses the specific actions to be taken when the Bank suspects or detects that unauthorized individuals have gained access to customer information systems, including appropriate reports to regulatory and law enforcement agencies; and (2) that complies with FFIEC Interagency Guidance on Response Program for Unauthorized Access to Customer Information and Customer Notice as set forth in Supplement A to Appendix B to 12 C.F.R. Part 570, including but not limited to: (a) assessment of the nature and scope of the incident and identification of what customer information may have been accessed or misused; (b) prompt notification to its primary federal regulator once the institution becomes aware of an incident involving unauthorized access to or use of sensitive customer information; (c) notification to appropriate law enforcement authorities, in addition to filing a timely suspicious activity report, in situations involving Federal criminal violations requiring immediate attention; (d) measures to contain and control the incident to prevent further unauthorized access to or misuse of customer information, while preserving records and other evidence; and (e) notification to customers when warranted. The Board shall submit to OTS a copy of the minutes reflecting its review and the Incident Response Program to OTS by **December 29, 2006** after the review by the independent auditor. The Bank shall comply with the Incident Response Program.

8. Vendor Management Policy

- A. By **October 31, 2006**, TRC, with assistance of management, shall develop and submit to the Board for approval, a vendor management policy that includes procedures for the Board and management's oversight and review of vendor's performance and management's documentation of its review. Management shall submit a copy of the Vendor Management Policy to OTS after review by the independent auditor and by **December 29, 2006**. The Policy shall include: (1) the minimum criteria for vendor review and level of due diligence, prior to the purchase of software and hardware or entering into third party contracts; (2) reporting to the Board regarding due diligence finding and any issues under Thrift Bulletin 82a and Section IID of Appendix B and Section IC of Supplement A to Appendix B to 12 C.F.R. Part 570; (3) the level of monitoring required for vendors, including a review of the service provider's work product and reporting any deficiencies of the service provider to the Board; and (4) procedures for obtaining and reviewing the SAS 70 audit and any regulatory examination of the service provider, or the review of annual financial statements to verify the long-term viability of the service provider, if the Bank does not receive a copy of a third party review. The Bank shall comply with the Vendor Management Program.
- B. **Beginning on November 30, 2006 and annually thereafter**, TRC shall review and submit monitoring reports setting forth documentation of the vendor management procedures to the Board. The Board shall review such reports and documents its

review in the Board minutes. The Bank shall submit to OTS a copy of the Board meeting minutes and management reports, including but not limited to documentation of monitoring.

9. **Information Security Audit**

- A. By November 30, 2006, the Board shall approve an engagement letter with a qualified independent third party who has knowledge of, and training regarding the FFIEC's issuances on information technology, including but not limited to FFIEC IT Audit Handbook, Section 341 of the OTS Examination Handbook, and Appendix B of 12 C.F.R. Part 570, to conduct an audit of the Bank's Information Security Program by December 29, 2006 (IT audit). The IT audit shall include transaction testing, shall be fully supported by workpapers that clearly set forth the scope of the audit, the procedures performed, and the specific systems, records, procedures, and programs reviewed. The IT audit shall, at a minimum, address:
1. Reasonableness of the Bank's risk assessments in accordance with Section IIIB of Appendix B and Section IB of Supplement A to Appendix B to 12 C.F.R. Part 570 and OTS CEO Letter No. 228;
 2. A test of the controls, systems, and procedures set forth in the Bank's proposed revised Information Security Program and for all business lines;
 3. A test of the network security settings and a review of the implementation of the network security procedures in accordance with Paragraph 3 hereof;
 4. Test of accessibility to all computer equipment, including but not limited to, servers, mailers, office computers, or terminals and substantiate the integrity of employee activities and the appropriateness of user access rights;
 5. Review of the Bank's monitoring of the Bank's information technology service providers and implementation of the Bank's Vendor Management Policy, including, but not limited to due diligence and monitoring and compliance with Paragraph 8 hereof;
 6. Review of the Bank's proposed revised Information Security Program for compliance with Appendix B to 12 C.F.R. Part 570, CEO Letter No. 231, and Section 341 of OTS Examination Handbook;
 7. Review of the Bank's Incident Response Program for compliance with Supplement A to Appendix B to 12 C.F.R. Part 570, CEO Letter No. 231, and Section 341 of OTS Examination Handbook;
 8. Review of the integrity of management's reports to the Board and the adequacy of documentation for compliance with the Bank's Information Security Program and Appendix B to 12 C.F.R. Part 570 and pursuant to Paragraph 10 hereof;

9. Review of internal audit program for information security, including the scope and documentation of internal auditors and expertise of auditor;
 10. Review of the adequacy of internal controls for monitoring information processing and transactions, including segregation of duties, and controlling and mitigation of risks;
 11. Review of the adequacy of business continuity plans in light of other changes to the Bank's Information Security Program and the testing of the plans;
 12. Review of the adequacy of processes in place to ensure timely tracking and resolution of reported weaknesses; and
 13. Review of any other applicable policies, procedures, or programs required pursuant to OTS regulations or issuances.
- B. The Bank shall obtain an IT audit annually that covers all applicable requirements of this Paragraph.
- C. The findings of the IT audit shall be promptly reported to, and reviewed by the TRC at the next regularly scheduled TRC meeting following the receipt of the independent audit report. TRC shall submit the report and its recommendation at the next Board meeting. The Board shall ensure that its discussions of the 2006 audit results, including any actions taken or required by the Board are documented thoroughly and accurately in the Board meeting minutes. The Bank shall submit a copy of Board minutes and a copy of the independent audit to OTS by **January 31, 2007**. The Bank shall retain a complete copy of all work papers generated by the audit.

10. **Management Reports**

By **December 29, 2006, and thereafter at least annually**, TRC, with the assistance of management, shall provide reports to the Board that addresses (a) whether the Bank's existing Information Security Program and Incident Response Program complies with Appendix B to 12 C.F.R. Part 570; (b) the Bank's comprehensive risk assessment; (c) risk management and control decisions; (d) any vendor management issues or service provider arrangements, including compliance with the requirements of Section III.D of Appendix B to 12 C.F.R. Part 570; (e) results of testing of the Bank's Information Security Program and the disaster recovery plan for the Bank and its data processor server; (f) any security breaches or violations, and management's responses; (g) correction of deficiencies noted in internal audit, independent test, or OTS examination report; (h) the recommendation for changes in the information security program; (i) any new regulatory requirements and the status of the Bank's compliance efforts; (j) whether the employee(s) with IT functions have adequate training, resources, and time to perform such functions; and (k) implementation of the information Security Training Program. The Bank's review of the management reports must be set forth in the Board minutes.

The Bank shall submit a copy of the annual report for 2006 and the Board minutes reflecting its review of each of the aforementioned matters to OTS by **January 31, 2007**.

11. Information Security Program

By **February 28, 2007**, the Board shall revise and adopt a revised Information Security Program. The Bank's Information Security Program, based on the Bank's risk assessment, shall address the following at a minimum:

- A. Responsibilities and duties of TRC;
- B. Deficiencies noted in the independent audit required by Paragraph 9 hereof;
- C. Requirements and guidelines in Appendix B to 12 C.F.R. Part 570, Section 341 of the OTS Examination Handbook, and the Information Security Guidelines;
- D. Access controls on customer information systems, including controls to authenticate and permit access only to authorized individuals and controls to prevent employees from providing customer information to unauthorized individuals who may seek to obtain this information through fraudulent means;
- E. Access restrictions at physical locations containing customer information, such as buildings, computer facilities, and records storage facilities, to permit access only to authorized individuals;
- F. Encryption of electronic customer information, including while in transit or in storage on networks or systems to which unauthorized individuals may have access;
- G. Procedures designed to ensure that customer information system modifications are consistent with the Bank's information security program;
- H. Dual control procedures, segregation of duties, and employee background checks for employees with responsibilities for or access to customer information;
- I. Monitoring systems and procedures to detect actual and attempted attacks on or intrusions into customer information systems;
- J. Measures to protect against destruction, loss, or damage of customer information due to potential environmental hazards, such as fire and water damage;
- K. Establishment of an IT Training Program in accordance with Paragraph 6 hereof;
- L. Incorporation of the Incident Response Program in accordance with Paragraph 7 hereof;

- M. Requirement for an annual independent audit of the Bank's information security program by a qualified independent party, in accordance with the guidelines set forth in Paragraph 9 hereof;
- N. Incorporation of Vendor Management Policy required by Paragraph 8 hereof;
- O. Corrective actions to address the deficiencies noted in OTS reports of examination; and
- P. Requirement of reports from TRC at least annually that address at a minimum the requirements of Paragraph 10 hereof and Appendix B to 12 C.F.R. Part 570.

A copy of the Board minutes reflecting the Board's review and a copy of the Bank's approved revised Information Security Program shall be submitted to OTS by **March 31, 2007**. The Bank shall comply with the Customer Information Security Program.

12. **Audit Committee**

- A. By **September 29, 2006**, the Bank's Audit Committee shall consist only of outside directors.
- B. By **October 31, 2006**, and annually thereafter, the Board shall review the current charter for the Audit Committee, determine the purpose, objectives, and specific duties of the Audit Committee, and determine the frequency of meetings of the Audit Committee. The Board shall consider in its review the responsibilities of the Audit Committee for (1) monitoring compliance with this Order; (2) functions delineated in Section 310 of OTS Examination Handbook; (3) review of whether the internal controls are effective and the information systems are adequate in accordance with the guidelines of Section 340 of the OTS Examination Handbook, Section IIB to Appendix A to 12 C.F.R. Part 570, and Thrift Bulletin 81, dated March 17, 2003; (4) follow-up on deficiencies set forth in internal audit reports, compliance self-assessments, BSA/Office of Foreign Assets Control independent tests, loan reviews, external audits, and review of OTS examination findings, except for IT audits and reviews; and (5) oversight over the Internal Auditor, Compliance Officer, and BSA Officer functions.
- C. The Board shall require that the minutes of the Audit Committee be a complete and accurate representation of meetings discussions, including dissenting opinions or votes.
- D. The Board shall submit minutes reflecting the Board's review of the Audit Committee functions and the revised Audit Committee Charter to OTS by **November 30, 2006**.

13. **Compliance Officer**

- A. By **September 29, 2006**, the Board shall review the current responsibilities of the Compliance Officer and determine whether the Compliance Officer has sufficient time and resources to perform as a Compliance Officer and fulfill the responsibilities listed in Paragraph 13B hereof at a minimum or whether outsourcing or reassignment of duties is appropriate. The Board's review and actions shall be documented in the Board minutes, with a copy provided to OTS by **October 31, 2006**.
- B. Compliance Officer's duties shall, at a minimum, include:
1. Reviewing or overseeing any outsourced reviews or tests, except for IT audits or reviews, compliance with applicable regulations and the Bank's policies and procedures, and making recommendations for corrective actions;
 2. Implementing an ongoing comprehensive training program, including the use of outside qualified vendors, for directors and appropriate Bank personnel in accordance with the Compliance Program required by Paragraph 22 hereof;
 3. Overseeing a risk-focused internal review process that conforms to OTS self-assessment SMAART compliance program, and that provides for (a) the periodic review of the Bank's records and operations to identify transactional violations and program deficiencies pursuant to a schedule that initially focuses on Regulation B (12 C.F.R. Part 202), retail deposit regulations, and recently adopted regulations that are not addressed in the Bank's Compliance Assistance Plan, and (b) prompt implementation of the appropriate corrective actions;
 4. Recommending revisions to, or expansion of Bank's current internal audit reviews or systems for monitoring compliance with regulations and Bank's policies, taking into consideration branch localities, products and services offered to the public, staffing levels, and training and expertise of staff;
 5. Reviewing, no less than annually, the Bank's Compliance Program to determine whether additions or revisions are appropriate due to regulatory changes and changes to the operations or risk profile of the Bank, with a report to the Board before its review of the Bank's Compliance Program; and
 6. Preparing a semi-annual report to the Audit Committee, which will report to the Board regarding the Bank's Compliance Program and Compliance Training Program.
- C. The Board shall annually review and determine whether the Bank's compliance department is adequately staffed with qualified and trained personnel, including any outsourced assistance, and whether the directors, Compliance Officer and the Bank

staff are receiving adequate training on applicable regulations, policies, and procedures. The Board's review shall be documented in the Board minutes.

14. Internal Auditor

- A. By **September 29, 2006**, the Board shall (1) review the internal audit schedule for remainder of 2006 and for 2007, (2) review the responsibilities of the current internal auditor, and (3) determine whether the current internal auditor has the time, training, expertise, and resources to serve in that capacity and determine whether certain internal audit functions should be outsourced to a qualified third party in accordance with OTS Thrift Bulletin 81, dated March 17, 2003. If the Board determines that certain functions should be outsourced, the Board shall develop a schedule for the outsourcing to a qualified person or entity. The Board's review and actions shall be reflected in its minutes, a copy of which shall be submitted to OTS by **October 31, 2006**.
- B. The Board shall annually review the internal audit function and determine whether the internal audit function is adequately staffed with qualified personnel, including any outsourced assistance, and whether the internal audit staff is receiving adequate training.

15. BSA Officer

- A. By **September 29, 2006**, the Board shall determine whether the current BSA Officer has sufficient time, authority, and resources to effectively coordinate and monitor for day-to-day compliance with BSA Laws and Regulations and to serve as the Office of Foreign Assets Control (OFAC) Officer of the Bank. If the Board determines that the current BSA Officer does not have the time to serve as the BSA Officer and/or OFAC Officer, by **September 29, 2006**, the Board shall designate another employee to perform these functions and take steps to ensure that the employee receives the appropriate training to have the expertise to perform these functions by no later than **September 29, 2006**.
- B. The Board shall review the positions of BSA and OFAC Officers, on at least a semi-annual basis, to determine whether the designated BSA and OFAC Officer(s) is adequately coordinating and monitoring BSA and OFAC compliance on a day-to-day basis and whether additional resources, time, training, or authority are necessary.

16. Customer Due Diligence Review

- A. By **October 31, 2006**, and at designated schedules during the year, the BSA Officer shall complete a review of the Bank's customer base to identify any potentially high-risk customers that may require additional information or monitoring. This review shall consider, at a minimum, the Bank's BSA risk assessment and the factors noted in Appendix entitled "Customer Risk versus Due Diligence and Suspicious Activity

Monitoring" (Customer Risk Appendix) in the FFIEC Bank Secrecy Act Anti-Money Laundering Examination Manual (FFIEC Manual).

- B. By **November 30, 2006, and thereafter annually**, the BSA Officer shall submit a report to the Board, with a copy to OTS, that sets forth (1) the ranking of the customer base; (2) the potentially high risk customers and a determination whether the Bank has collected or is collecting sufficient and appropriate information to monitor these customers; (3) delineation of the monitoring process of these customers; and (4) whether there were any suspicious activities that warrant the filing of a suspicious activity report (SAR).

17. **Internal Controls**

By **October 31, 2006**, management shall implement internal controls that ensure (a) timely searches for requests from FinCEN and documentation thereof, (b) timely filing of currency transactions reports (CTRs) through the review of daily reports, (c) handling of exempt customers, and (d) compliance with the Bank's written BSA Program. Management shall submit monthly status reports to the Board regarding the implementation of these internal controls for six months from the Effective Date of this Order. A copy of the initial management report and the Board minutes reflecting its review shall be submitted to OTS by **November 30, 2006**.

18. **FinCEN Requests**

- A. By **November 30, 2006**, the BSA Officer shall undertake all requests for searches of customer base and transactions from FinCEN pursuant to Section 314(a) of the USA Patriot Act and 31 C.F.R. § 103.100(b), for which searches were not done in 2005 and 2006 (2005/2006 requests).
- B. The BSA Officer shall document all searches of its records to identify accounts or transactions of the named suspect, including but not limited to the (1) maintenance of confidential documentation of all required searches, including but not limited to the maintenance of a log compiling tracking numbers, the results of the search, the date of the search, and the BSA officer's sign-off; and (2) maintenance of copies of responses of positive matches to FinCEN and supporting documentation. The BSA Officer shall submit any positive responses on the 2005/2006 requests to FinCEN by **November 30, 2006**.
- C. The BSA Officer shall provide a report to the Board indicating the completion of the 2005/2006 requests, with a copy to OTS, by **December 29, 2006**.

19. **Independent Test**

- A. By **December 29, 2006**, the Bank shall enter into an engagement letter with a well-qualified third party to review and assess the Bank's overall BSA Program and OFAC Program and implementation of the BSA and OFAC Programs for the year 2006. Such

reviews shall be completed and the report shall be submitted to the Board by **January 31, 2007**. The third party review must have knowledge of, and received training on, BSA Laws and Regulations, OFAC requirements, and the applicable guidelines and requirements set forth in the FFIEC Manual. The Board's review of the qualifications of the entity or person(s) performing the independent test shall be documented in the Board minutes. The engagement letter shall require that (1) the independent test satisfy, at a minimum, the requirements of this Paragraph 19, require transaction testing to validate the Bank's compliance with BSA/OFAC recordkeeping and reporting requirements (e.g., customer information, suspicious activity reports, currency transaction reports and exemptions, wire transfers, sales of monetary instruments, FinCEN requests, and any OFAC governed transactions); (2) the test report is supported by detailed work papers that specifically state the scope, the procedures performed, and the specific records and systems reviewed; and (3) a copy of the work papers fully supporting the test results must be provided to the Bank at the completion of the report.

- B. The independent test that is required in this Paragraph 19 and the independent test conducted thereafter shall address the applicable factors for independent testing in the FFIEC Manual, and shall include, but not be limited to, the following:
1. A review of the Bank's proposed revised BSA Program and proposed revised OFAC Program for compliance with the BSA Laws and Regulations, OFAC requirements, and the guidelines and requirements set forth in the FFIEC Manual;
 2. A review of the Bank's risk assessment for reasonableness given the Bank's risk profile (e.g., products, services, customers, and geographic locations), and whether the BSA Program is adequately tailored to manage the risk(s);
 3. A test of the Bank's internal control procedures for limiting and controlling risks and achieving compliance with the BSA Laws and Regulations, including but not limited to provisions for dual controls, segregation of duties, and the adequacy of manual or automated systems to identify reportable transactions, to assist in the completion of all required reports, and to timely detect and report suspicious activity, including but not limited to the internal controls required by Paragraph 17 hereof;
 4. A review of the adequacy of the Bank's procedures for receiving, reviewing and responding to FinCEN requests pursuant to Section 314(a) of the USA Patriot Act and 31 C.F.R. § 103.100, including but not limited to: (a) a review of requests received; (b) the date that the Bank's search was completed; (c) a review of whether the Bank's search covered all records identified in the General Instructions for such accounts; (d) the date the Bank responded to FinCEN; (e) procedures for safeguarding the information in the request; and (f) procedures for retaining evidence of its confidential research in responding to these requests;

5. A test of the Bank's Customer Identification Program (CIP) requirements to determine whether the employees in all applicable departments are complying with the Bank's BSA Program, BSA Laws and Regulations, and the guidelines in the FFIEC Manual, including, but not limited to: (a) obtaining, verifying, and documenting the required information; (b) the timely provision of adequate customer notice; (c) the evaluation of internal controls for ensuring required information is obtained; and (d) whether the types of information required is based on a risk analysis in accordance with 31 C.F.R. § 103.121(b)(2);
6. A review of whether the Bank's customer due diligence procedures and the process implemented pursuant to Paragraph 16 hereof (a) are commensurate with the Bank's risk profile; (b) provide for customer risk analysis at the opening of an account and ongoing due diligence of the customer base; and (c) provide for adequate identification of customer(s) that may pose risk for a suspicious activity of money laundering or terrorist financing, and provision for obtaining additional information;
7. A test of the effectiveness of the suspicious activity monitoring systems (manual, automated, or a combination), including but not limited to teller's work, daily cash reports, large balance fluctuation reports, or other similar reports; nonsufficient fund reports; account relationship reports; funds transfer records; and monetary instruments records that are used to identify unusual activity; a review of a sample of CIP account opening documentation for deposits and loans, customer due diligence information, corresponding account statements or loan files and items posted against the account to determine whether the account reflect unusual activity; an assessment of the process for timely identification, researching and reporting of suspicious activities, money laundering, and terrorist financing; procedures for documenting decisions not to file a SAR; and a review of SARs filed by the Bank to evaluate their accuracy, timeliness, and completeness;
8. A review of CTRs (FinCEN Form 104 and FinCEN Form 105) filed by the Bank for accuracy, timeliness, and completeness, including but not limited to verification of the information set forth on the CTR;
9. A test of the integrity and accuracy of the automated or manual systems for identification of large currency transactions, and a review of procedures for determining whether the aggregation of transactions was properly done for purposes of filing CTRs and for detecting structuring or other suspicious activities;
10. A determination of whether the Bank has any customers exempt from CTR filings, and if so, a review of the Bank's compliance with recordkeeping and reporting requirements for exempt accounts, including but not limited to annual reviews and biennial renewals, and a determination whether the Bank has

adequate processes for ongoing monitoring of such accounts and determination of continued eligibility, and for documentation of such reviews;

11. A determination that the Bank has procedures in place for maintaining the required information on customers purchasing monetary instruments and for aggregation of such transactions, and a test that addresses whether employees are complying with the Bank's BSA Program and applicable BSA regulations with respect to obtaining, verifying, and retaining the required records to ensure compliance;
12. Review of funds transfer operations for compliance with applicable BSA Laws and Regulations, and the Bank's BSA Program, including but not limited to verification that the bank collects, maintains, or transmits the required information; whether there is an audit trail of funds transfer activities including controls to ensure proper authorization for sending and receiving funds transfers, for filing CTRs where appropriate, and for correct posting to accounts; and a review of adequacy of controls for foreign wire transfers;
13. A test of the Bank's procedures for handling accounts of a money service business (MSB), if any, such as (1) verification of MSB's registration with FinCEN (see 31 C.F.R. § 103.41—FinCEN Form 107) and any applicable state office and (2) processes to monitor MSB accounts and to identify and report suspicious activities relating to a MSB account;
14. A review of the BSA training program for the Board, BSA officer, all Bank personnel who are involved in BSA functions or customer transactions, and internal auditor (if appropriate) for its comprehensiveness; the adequacy, and accuracy of the training materials; and verification that the Bank is maintaining adequate records of such training of directors, BSA officer, and applicable personnel;
15. A determination that the Bank is monitoring cash shipments to and from the Federal Reserve Bank or its correspondent bank(s);
16. A test confirming the integrity and accuracy of the Bank's BSA recordkeeping system to ensure that all required records are being created and retained by the Bank in accordance with the BSA record retention requirements;
17. A test of the Bank's OFAC Program that addresses the following factors: (a) whether the Bank's OFAC Program adequately addresses compliance with OFAC requirements and the guidelines set forth in the FFIEC Manual; (b) the reasonableness of the Bank's OFAC risk assessment; (c) extent of, and method of conducting OFAC searches for new accounts such as deposit accounts, loan accounts, trust, safe deposits, and investments; (d) extent of, and method of conducting OFAC searches for transactions not related to an account such as funds transfer, monetary instrument sales, and check cashing transactions; (e)

frequency of review of OFAC updates against existing customer lists; (f) the adequacy of internal controls including, but not limited to, testing of the adequacy of OFAC filtering or monitoring systems and which databases are run against OFAC filtering or monitoring systems; (g) correspondence to, and from OFAC, if any; (h) logs or other documentation related to review potential OFAC matches, including the method for reviewing and clearing those determined not to match; (i) testing of adequacy of internal communication network and dissemination of information; (j) the effectiveness of the officer designated to monitor compliance; (k) OFAC record retention requirements; and (l) review of the effectiveness of the OFAC training program, including but not limited to content, frequency, and proficiency standards; and

18. A review of management's correction of prior deficiencies noted in independent test, self-assessments, and OTS reports of examination.

C. The Bank shall obtain independent test that meets the above-noted criteria and the applicable criteria set forth in the FFIEC Manual no less than annually. The Board, at the next regularly scheduled meeting following the receipt of the independent test report, shall review the final findings of the independent test. The Board shall ensure that its discussions of the testing results, including any actions taken or required by the Board, are documented in the Board meeting minutes. The Board shall address all recommended revisions to the Bank's BSA Program or OFAC Program that were set forth in the independent test report. The Bank shall retain a complete copy of all work papers generated for the independent test.

20. **BSA Program**

By **January 31, 2007**, the Board shall review the Bank's BSA Program and determine whether it: (a) is reasonably designed to ensure the Bank's compliance with BSA Laws and Regulations, and to detect money laundering, terrorist financing, and other suspicious activities; (b) is consistent with the Bank's current practices; (c) addresses the applicable requirements and guidelines set forth in the FFIEC Manual; (d) is consistent with a BSA risk assessment of the Bank's products, services, customers and geographic locations, taking into consideration the factors noted in the FFIEC Manual; and (e) establishes procedures for each product and service subject to BSA requirements that describe (1) how the Bank shall comply with the BSA Laws and Regulations; (2) how the Bank shall document compliance with BSA Laws and Regulations, and (3) how the Bank shall monitor compliance with BSA procedures for each product and service.

In conjunction with this review, the BSA Officer, with the assistance of a qualified outside vendor, if necessary, shall submit a report addressing, at a minimum, whether the current written BSA Program adequately addresses the following in accordance with applicable regulations and the FFIEC Manual and make recommendations regarding appropriate revisions:

- A. Addresses the Bank's BSA risk assessment (taking into consideration the Bank's products; services including, but not limited to internet banking; customers and entities; and geographic locations) in accordance with guidelines set forth in the FFIEC Manual;
- B. Delineates the Bank's process for customer identification into the BSA Program to address more specifically the requirements of 31 C.F.R. § 103.121 and to provide for: (1) risk-based procedures for the identification and verification of all deposit and loan customers in accordance with applicable BSA Laws and Regulations including verification through documents and nondocumentary methods, use of third parties, if any; (2) the procedures for handling lack of verification, including loan accounts for which required information was not obtained; and (3) a system of internal controls to ensure documentation is obtained and maintained;
- C. Establishes customer due diligence procedures that are commensurate with risk rating of customer base: (1) for identifying high risk customers, including obtaining additional information; (2) for maintaining current customer information on certain customer base; (3) for resolving issues when insufficient information or inaccurate information is obtained; (4) for incorporation of information into the suspicious activity monitoring process; and (5) for designating person(s) who is responsible for reviewing or approving changes to a customer's risk rating or profile as applicable;
- D. Establishes procedures for the filing of complete and accurate CTRs, for ensuring compliance with 31 C.F.R. §§ 103.22 and 103.27;
- E. Sets forth internal controls for the preparation of accurate and timely CTRs, including but not limited to review of daily cash reports or similar reports and the designation of a filer who is different from the preparer to ensure compliance with BSA Laws and Regulations and the automated systems for tracking required customer exemption filings;
- F. Establishes procedures for CTR exemptions, including but not limited to the designation of Phase I and Phase II exempt persons, filing time frames, annual reviews, biennial renewals, and monitoring process, for ensuring compliance with 31 C.F.R. § 103.22(d)(2);
- G. Establishes procedures for ensuring compliance with 31 C.F.R. § 103.29 for the sale of monetary instruments, and internal controls to monitor the issuance and sale of monetary instruments to ensure compliance with BSA Laws and Regulations;
- H. Establishes procedures for ensuring compliance with 31 C.F.R. § 103.33 for wire transfers (as defined in 31 C.F.R. § 103.11(q)), including but not limited to the collection of payment instructions, irretrievability of information, and transmittal of payment information, and set forth internal controls to monitor all incoming and outgoing wire transfers and to ensure compliance with BSA Laws and Regulations;

- I. Establishes procedures and processes for (1) identification, researching, and reporting of suspicious activities, including but not limited to the use of manual transaction or automated account monitoring systems, such as currency activity reports, new account reports, incoming and outgoing funds transfer records, and monetary instrument records, to filter or monitor for suspicious activity; (2) the designation of the preparer and the reviewer of suspicious activity reports (SARs); (3) documentation of decisions to file or not to file SARs; (4) the timely filing of complete and accurate SARs in accordance with the thresholds set forth in 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18; (5) the reporting of SARs to the Board; and (6) the maintenance of confidentiality of SAR filings;
- J. Establishes procedures for (1) responding to search requests from Financial Crimes Enforcement Network (FinCEN) in accordance with Section 314(a) of USA Patriot Act and 31 C.F.R. § 103.100, including but not limited to procedures for responding to requests to identify accounts or transactions of a named suspect from FinCEN in accordance with 31 C.F.R. § 103.100, within 14 days of receipt, including but not limited to procedures for security and confidentiality of requests and documentation of searches; (2) documentation of all required searches of all records for current accounts, accounts maintained during the preceding 12 months, and transactions conducted outside of an account by, or on behalf of a named suspect during the preceding six months, including but not limited to the maintenance of a log compiling tracking numbers, the results of the search, the date of the search, and the employee sign-off; and (3) maintenance of copies of responses of positive matches to FinCEN within the 14-day time frame and supporting documentation;
- K. Provides for information sharing with other financial institutions, in accordance with Section 314(b) of USA Patriot Act and 31 C.F.R. 103.110, if such sharing with other financial institutions is approved by the Board;
- L. Establishes procedures for identifying and monitoring MSBs, if any, in accordance with the FinCEN's April 26, 2005 Advisory, entitled "Guidance to Money Services Businesses on Obtaining and Maintaining Banking Services;"
- M. Sets forth record retention requirements set forth in the BSA Laws and Regulations and FFIEC Manual, including but not limited to 31 C.F.R. §§ 103.29, 103.33, and 103.121(b)(3);
- N. Sets forth clear written delineation of functions of the Board, Compliance officer/internal auditor, and the Bank's BSA officer for oversight, management, and day-to-day monitoring and coordination of the BSA Program;
- O. Requires independent testing, at least annually, of the Bank's operations in accordance with Paragraph 19 hereof;
- P. Sets forth parameters of formal comprehensive training program that provides for: (1) training for the BSA officer to maintain expertise to coordinate and monitor day-to-day

compliance with BSA Laws and Regulations by attending BSA training seminar(s) attended by other BSA officers; (2) training tailored to each employee's function who is involved in a BSA function or customer transaction functions to ensure each employee is knowledgeable of suspicious activities, money laundering schemes, and terrorist financing schemes; applicable BSA Laws and Regulations; the Bank's BSA Program and related procedures and the appropriate corrective actions for deficiencies noted in independent test or OTS examination for which his/her department and for which he or she is responsible for compliance; (3) overview training for each director to enable them to oversee the BSA Program; (4) the frequency, content and methodology of training; (5) proficiency and testing standards for officers and employees involved in BSA functions or customer transactions; (6) required training in areas of deficiencies noted on the independent tests, self assessments, or OTS examination; (7) a schedule for providing the appropriate level of training to each director, BSA officer, internal auditor, and each officer and employee who is involved in a BSA function or customer transaction no less frequently than annually; and (8) the maintenance of detailed records regarding the training program;

- Q. Addresses deficiencies noted in BSA independent tests, self-assessments, or OTS examinations;
- R. Provides for periodic reports to the Board from the BSA officer regarding the implementation of the BSA Program, including but not limited to any recommendations and deficiencies noted in OTS examination and independent testing; and
- S. Requires an annual review of the BSA program in accordance with Paragraph 21 hereof.

By **February 28, 2007**, after reviewing the independent test report and the aforementioned report from the BSA Officer, the Board shall adopt a revised BSA Program that addresses the above requirements and addresses all deficiencies noted in the independent test and the OTS examinations. Management shall submit a copy of the revised BSA Program to OTS after the Board's approval.

21. Annual Review of BSA and OFAC Programs

- A. By **December 31, 2007**, and **annually thereafter**, the Board shall review and approve the Bank's BSA Program and OFAC Program on at least an annual basis. The Board's review shall address: (1) reports from BSA officer, in accordance with Paragraph 20 hereof, regarding whether (a) the BSA Program adequately covered applicable BSA Laws and Regulations and the applicable guidelines and standards in the FFIEC Manual and (b) the OFAC Program adequately covered compliance with OFAC guidelines and regulatory requirements (31 C.F.R. Part 500), including but not limited to applicable guidelines set forth in the FFIEC Manual; (2) the reasonableness of the BSA and OFAC risk assessments; (3) the adequacy of internal controls to ensure compliance with BSA Laws and Regulations and OFAC requirements, including but

not limited to the internal controls set forth in Paragraph 17; (4) the adequacy of independent testing in accordance with the standards set forth in Paragraph 19 hereof and the implementation of corrective actions; (5) the ability and expertise of the designated BSA/OFAC officer to coordinate and monitor day-to-day compliance with BSA Laws and Regulations, the Bank's BSA Program, the Bank's OFAC Program, and OFAC requirements, with the allocated time, resources, training, and authority; and (6) the adequacy of training of all appropriate staff, including the Board and senior management on BSA Laws and Regulations and OFAC requirements. The Board shall make the appropriate revisions to, and the Bank shall comply with, the revised BSA Program and/or OFAC Program. The Board's review shall be set forth in the minutes of the Board, with a copy of the minutes submitted to OTS by **30 days** after the Board meeting.

- B. By **February 27, 2007**, the Board shall review the Bank's OFAC Program and make any revisions based on the reports of the OFAC Officer, the results of the independent test, and the Board's review of the foregoing factors set forth in Paragraph 19A hereof. The Board shall submit a copy of the minutes reflecting this review to OTS by **March 31, 2007**.

22. Compliance Program

By **January 31, 2007**, the Board shall adopt a revised compliance program that: (a) incorporates the Systems, Monitoring, Assessment, Accountability, Response, and Training (SMAART) in accordance with Appendix A of Section 1100 of the OTS Examination Handbook; (b) addresses all compliance regulations that are applicable to the Bank; (c) requires at least an annual risk assessment; (d) provides for adequate controls to ensure compliance with regulations and the Bank's Compliance Program; (e) sets forth the functions of the Board, President, Audit Committee, Compliance Officer, and Internal Auditor with respect to implementation of the Compliance Program and addresses the outsourcing of any functions; (f) requires scheduled self-assessments of regulatory requirements on a risk-focused basis; (g) requires prompt correction of deficiencies or violations noted in self-assessments, any independent tests, or OTS reports of examination; and the tracking of correction of deficiencies or violations; and (h) implements a formal and comprehensive ongoing training program, including the use of outside qualified vendors if appropriate, for appropriate Bank personnel, including but not limited to (1) training for the Board to assist it in its oversight functions; (2) extensive training for the Compliance Officer and internal auditor; and (3) specific training for Bank personnel based on job functions including training for (i) consumer compliance laws and regulations, and (ii) the Bank's policies and regulatory requirements regarding loan, credit monitoring, investments, and deposit functions; and (4) maintaining detailed training records, including but not limited to the method and scope of training, attendance, and testing for proficiency. The Board shall submit a copy of the revised Compliance Program to OTS by **February 28, 2007**.

BOARD OF DIRECTORS

23. Director and Board Responsibility

Notwithstanding the requirements of this Order that the Board submit various matters to the Regional Director for the purpose of receiving approval, notice of non-objection, or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Bank at all times, including compliance with the determinations of the Regional Director as required by this Order, and shall take all reasonable and prudent actions necessary to satisfy this responsibility.

24. Compliance with Order

- A. All policies, procedures, corrective actions, plans, reviews and systems required by this Order (collectively referred to as Policies and Procedures) shall conform to all applicable statutes, regulations and OTS policy and guidance. The Board shall revise such Policies and Procedures as required by the Regional Director with 30 days of receipt of written direction from the Regional Director, the amended Policies and Procedures shall be incorporated into this Order, and any deviation from such Policies and Procedures shall be a violation of this Order.
- B. The Board shall require the Bank's management to correct all deficiencies identified in the Bank's report of examination as directed therein. The Board and officers of the Bank shall take immediate action to cause the Bank to comply with the terms of this Order and shall take all actions necessary or appropriate thereafter to cause the Bank to continue to carry out the provisions of this Order.
- C. By the **thirtieth (30th)** calendar day after the end of each calendar month, beginning with the month of **September 2006**, the Board shall adopt a board resolution (Compliance Resolution), formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding month, the Bank has complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist; and identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.
- D. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each director's reasoning for opposing or abstaining.

- E. The Bank shall provide to the Regional Director a certified true copy of each Compliance Resolution as adopted by the Board within **thirty (30)** calendar days after the end of the calendar month which the Compliance Resolution was adopted. The Board, by virtue of the Bank's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of that board meeting.

BOARD OF DIRECTORS - MISCELLANEOUS

25. Definitions

- A. All technical words or terms used in this Order and Stipulation for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act (HOLA), Federal Deposit Insurance Act (FDIA) or OTS Publications. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.
- B. For purposes of this Order, nothing shall be deemed "acceptable", as that term is used in this Order, unless the Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, has stated in writing that it is acceptable or has provided a written notice of non-objection to it.

26. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Order to provisions of statutes, regulations, and OTS Publications shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date of this Order and references to successor provisions as they become applicable.

27. Notices

- A. Except as otherwise provided herein, any request, demand, authorization, directive, notice, consent, waiver or other document provided or permitted by the Order to be made upon, given or furnished to, delivered to, or filed with:
1. The OTS, by the Bank, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Assistant Director, Office of Thrift Supervision, Department of the Treasury, 225 East John Carpenter Freeway, Suite 500, Irving, Texas 75062-2326 or telecopied to (972)

277-9501 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address; or

2. The Bank, by OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Bank, to the attention of the President and Chief Executive Officer, at 101 West Summer Street, Greeneville, Tennessee 37743-4924.

- B. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

28. Time Limits and Suspension or Termination of Requirements

Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted. The Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, may extend any time limits set forth in this Order by specifically granting that extension in writing. The Regional Director may suspend or terminate the requirement of the Bank through a written notice that expressly provides for such suspension or termination.

29. No Violations Authorized; OTS Not Restricted

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Bank to violate any law, rule, regulation, or OTS or FDIC policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s), including without limitation any actions that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

30. Effect of Headings

The Section Headings herein are for convenience only and shall not affect the construction hereof.

31. Incorporation

The Stipulation is made a part hereof and is incorporated herein by this reference.

32. OTS Review of Actions Requested

The Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, may provide a written notice of non-objection, acceptability, or objection, or

request additional information with respect to any submission to OTS required by this Order.

33. Integration Clause

This Order represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter. However, as noted herein, all Policies and Procedures (collectively, the Plans) required by this Order shall, upon modification consistent with the direction of the Regional Director if such direction is given, become a part of this Order and any deviation from these Policies and Procedures or Plans shall be deemed a violation of this Order.

34. Duration, Termination, or Suspension of Order

The Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director or other authorized representative.

36. Effective Date

This Order is and shall become effective on the Effective Date, as shown in the caption hereof.

OFFICE OF THRIFT SUPERVISION

By: _____
Frederick R. Casteel
Midwest Regional Director

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

GREENEVILLE FEDERAL BANK, FSB)
Greeneville, Tennessee)
OTS Docket No. 06518)

Order No.: MWR-06-12

Date: September 11, 2006

**STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF**

WHEREAS, this Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation), which references the accompanying and above-referenced Order to Cease and Desist (Order), is submitted by **Greeneville Federal Bank, FSB**, Greeneville, Tennessee (OTS Docket No. 06518) (Greeneville Federal or the Bank), to the Office of Thrift Supervision (OTS), which is acting through its Midwest Regional Director (Regional Director);

WHEREAS, OTS, based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Greeneville Federal pursuant to 12 U.S.C. § 1818(b)¹,

WHEREAS, the Bank desires to cooperate with OTS and to avoid the time and expense of such administrative proceeding; and,

WHEREAS, the Bank (i) without any adjudication on the merits; (ii) without admitting or denying that such grounds exist; or (iii) without admitting or denying the Findings of Fact or opinions and conclusions of OTS, except as to Jurisdiction, Paragraph 1, below, which is admitted, hereby stipulates and agrees to the following:

1. Jurisdiction

- A. The Bank is a "savings association" within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is a "depository institution" as that term is defined in 12 U.S.C. § 1813(c).
- B. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain an administrative cease and desist proceeding against such savings association. Therefore, the Bank is subject to the

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

jurisdiction of OTS to initiate and maintain cease and desist proceedings against it pursuant to 12 U.S.C. § 1818(b). The Deputy Director of OTS, pursuant to delegated authority from the Director of OTS, has delegated to the Regional Director the authority to issue cease and desist orders where the savings association has consented to the issuance of the orders.

2. **OTS Findings of Fact**

OTS finds that the Bank has engaged in violations of:

- A. 12 C.F.R. § 563.177(b)(1) (maintenance of a written program reasonably designed to ensure compliance with the Bank Secrecy Act (BSA) and implementing regulations²);
- B. 12 C.F.R. § 563.177(c)(1) (a system of internal controls to ensure compliance with BSA);
- C. 12 C.F.R. § 563.177(c)(2) (independent testing for BSA compliance);
- D. 12 C.F.R. § 563.177(c)(3) (designation of a BSA officer who was able to be responsible for coordinate and monitor day-to-day compliance with BSA);
- E. 12 C.F.R. § 568.5 (protection of customer information) and 12 C.F.R. Part 570, Appendix B (interagency guidelines establishing information security standards);
- F. 31 C.F.R. § 103.22(d)(2) (biennial filing for exempt customers);
- G. 31 C.F.R. § 103.27(a) (timely preparation of Currency Transaction Reports);
- H. 31 C.F.R. § 103.100(b)(2) (information requests from Financial Crimes Enforcement Network); and
- I. 31 C.F.R. § 103.121(b)(2) (customer due diligence).

3. **Consent**

- A. The Bank consents to the issuance by OTS of the accompanying Order.
- B. The Bank further agrees to comply with the terms of the Order upon issuance. The Bank further stipulates and agrees that the Order complies with all requirements of law.

² Currency and Foreign Transactions Reporting Act, as amended by USA Patriot Act and other laws (Bank Secrecy Act of BSA), 31 U.S.C. § 5311 *et seq.*, and the regulations adopted thereunder by the U.S. Department of the Treasury, 31 C.F.R. § 103.11 *et seq.*, and the related BSA regulations adopted by OTS, 12 C.F.R. § 563.177.

4. **Finality**

The Order is issued under 12 U.S.C. § 1818(b). Upon its issuance by OTS, acting by and through its Regional Director, the Order shall be a final order, effective and fully enforceable by OTS under the provisions of 12 U.S.C. § 1818(i).

5. **Waivers**

The Bank waives the following:

- A. The right to be served with a written notice of OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- B. The right to an administrative hearing of OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- C. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h) and (i), or otherwise to challenge the validity of the Order;
- D. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and
- E. The right to assert this proceeding, its consent to the issuance of the Order, the issuance of the Order, the payment of any monies or the provision of any other financial relief as contemplated by the Order as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. **Other Governmental Actions Not Affected**

- A. Upon OTS's issuance of the accompanying Order, following OTS's acceptance of this Stipulation, executed by the Bank, OTS does release and discharge the Bank from all potential claims and charges that have been or might have been asserted by OTS, based on the violations and safety and soundness deficiencies described in the Findings of Fact set forth in Paragraph 2 of this Stipulation, to the extent known to OTS as of the effective date of the accompanying Order. However, the violations alleged above in Paragraph 2 of this Stipulation may be utilized by OTS in future enforcement actions to establish a pattern of practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any right of OTS to determine and ensure compliance with the terms and provisions of this Stipulation and the Order.
- B. The Bank acknowledges and agrees that its consent to the issuance of the Order does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions,

charges against, liability or other administrative, civil or criminal proceeding that may arise pursuant to this action or otherwise or that may be or has been brought by another governmental entity against the Bank or any institution-affiliated party thereof or by OTS against any institution-affiliated party of the Bank.

7. Miscellaneous

- A. The laws of the United States of America shall govern the construction and validity of this Stipulation and the Order.
- B. In case any provision of the Stipulation or Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.
- C. All references to the OTS or the Bank in this Stipulation and the Order shall also mean any of the OTS's or Bank's predecessors, successors, and assigns.
- D. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the construction hereof of the Stipulation or the Order.
- E. The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters.
- F. This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director or other authorized representative.

8. Signature of Directors

Each Director of the Bank's Board of Directors signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation. A copy of the resolution of the Board of Directors of Greeneville Federal, authorizing execution of this Stipulation, shall be delivered to OTS, along with the executed original of this Stipulation.

WHEREFORE, Greeneville Federal Bank, FSB, Greeneville, Tennessee, by a majority of its directors, executes this Stipulation and Consent to the issuance of an Order to Cease and Desist for Affirmative Relief, intending to be legally bound hereby.

Accepted by:

OFFICE OF THRIFT SUPERVISION

By: _____ Effective Date: 9-11-06
Frederick R. Casteel
Regional Director
Midwest Region

GREENEVILLE FEDERAL BANK, FSB, Greeneville, Tennessee
Accepted by a Majority of its Directors

Brandon C. Hull, President, Chairman
Of the Board and Director

Annie B. Cansler, Director

Ethel M. Hutton, Director

Janice R. Moore, Director

Robert S. Thompson, Director

Leslie Hull-Welsch, Director